

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the actual expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue Expenditure on various specified services vis-à-vis those authorised by the Appropriation Acts in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. It also seeks to assess to what extent the Government/Executive has been able to manage the planned and intended allocation of its resources amongst various departments.

2.1.3 As per the Odisha Budget Manual (OBM), the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the detailed estimates called “Demand for Grants”. In the preparation of the budget, the aim should be to achieve as close an approximation to the actual as possible. This demands the exercise of the utmost foresight in both estimating revenue and anticipating expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees etc.

Deficiencies in the management of budget and expenditure and violation of the OBM noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2012-13 against 40 grants and four appropriations was as given in **Table 2.1**:

Table 2.1: Summarised position of Actual Expenditure vis-à-vis Original/ Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
Voted	I Revenue	37080.99	3566.84	40647.83	34971.89	(-)5675.94
	II Capital	7032.20	352.30	7384.50	5617.80	(-)1766.70
	III Loans and Advances	361.55	0.60	362.15	216.02	(-)146.13
Total Voted		44474.74	3919.74	48394.48	40805.71	(-)7588.77
Charged	IV Revenue	5073.94	2.57	5076.51	3356.39	(-)1720.12
	V Capital	10.73	2.55	13.28	9.88	(-)3.40
	VI Public Debt-Repayment	3195.74	7.55	3203.29	3179.86	(-)23.43
Total Charged		8280.41	12.67	8293.08	6546.13	(-)1746.95
Grand Total		52755.15	3932.41	56687.56	47351.84	(-)9335.72

Source: The Odisha Appropriation Act 2012, Finance and Appropriation Accounts 2012-13, Govt. of Odisha

The expenditure figures were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue heads (₹ 90.72 crore) and Capital heads (₹ 5.49 crore). The overall saving of ₹ 9335.72 crore was due to savings in all the 40 grants and two appropriations under Revenue Section and 30 grants and two appropriations under Capital Section.

It is seen from the above table that against the original provision of ₹ 52755.15 crore, expenditure of ₹ 47351.84 crore was incurred, thereby not requiring any supplementary provision, as there was savings of ₹ 5403.31 crore from the original provision which clearly indicates inaccurate estimation of funds and lack of control mechanism.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 17 cases relating to 14 grants and one appropriation, savings exceeded ₹ 10 crore in each case and by more than 20 per cent of total provision (**Appendix 2.1**) amounting to ₹ 5795.20 crore. Out of the above, savings of as large as ₹ 5358.49 crore (92 per cent)¹ occurred in six cases relating to five grants and one appropriation as indicated in **Table 2.2**.

¹ Exceeding ₹ 100 crore in each case

Table 2.2: List of Grants with savings of ₹ 100 crore and above

(₹ in crore)						
Sl. No.	No. and Name of the Grant	Original	Supple- mentary	Total	Actual Expenditure	Savings
Revenue (Charged)						
1	2049-Interest Payments	4511.59	0	4511.59	2807.23	1704.36
Revenue (Voted)						
2	3-Revenue	1731.93	155.49	1887.42	854.17	1033.25
3	5-Finance	7124.55	11.33	7135.88	5586.16	1549.72
Capital (Voted)						
4	16-Planning and Co-ordination	941.42	7.67	949.09	149.10	799.99
5	30-Energy	527.07	33.00	560.07	422.53	137.54
6	39-Employment and Technical Education and Training	182.06	21.45	203.51	69.88	133.63
TOTAL		15018.62	228.94	15247.56	9889.07	5358.49

Source: Appropriation Accounts for the year 2012-13, Government of Odisha.

Reasons furnished by the departments for unspent provision under few major heads of account as reported in Appropriation Accounts are given below:

05-Finance (Revenue-Voted)

- Anticipated savings of ₹ 1105.67 crore under major head “2052- Secretariat-General Services-NP-090-Secretariat-0488-Finance Department”, was due to (i) non-filling of vacant posts and (ii) less requirement of fund.
- Anticipated savings of ₹ 7.50 crore under major head “2054-Treasury and Accounts Administration-NP-095-Directorate of Accounts and Treasuries-2555-13th Finance Commission Grant for setting up a Database for Government Employees and Pensioners”, was due to non-implementation of the Scheme.
- Anticipated savings of ₹ 123.23 crore under major head “2071-Pensions and Other Retirement Benefits-NP-01-Civil-105-Family Pension-1038-Pension and Pensionary Benefits”, was attributed to less requirement without assigning any reason.
- Anticipated savings of ₹ 681.54 crore under major head “2071-Pensions and Other Retirement Benefits-NP-01-Civil-109-Pensions to Employees of State Aided Educational Institutions-1036-Pension and Gratuity for Non-Government teachers of Secondary Schools and Colleges”, was attributed to less requirement without assigning any reason.

39-Employment and Technical Education and Training (Capital -Voted)

- There was anticipated savings of ₹ 108.13 crore under major head “4202-Capital Outlay on Education, Sports, Arts and Culture-CP-SS-02-Technical Education-104-Polytechnics-2463-Establishment of new Polytechnics”, as the actual expenditure came up to the level of ₹ eight crore out of total provision of ₹ 116.13 crore.

The above cases indicate lack of monitoring of the flow of expenditure in the department by the Chief Controlling Officers (CCOs) of such grants as required under Chapters IV and VI of the Odisha Budget Manual (OBM).

The Government stated (November 2013) that instructions would be issued to the concerned grant controlling authorities for recording specific reasons against surrender and savings. Despite a categorical assurance (November 2012) in the last year's Report, excess savings continued to persist.

2.3.2 Persistent Savings

There were persistent savings of more than ₹ 10 crore in 19 cases in 16 grants and in one appropriation during 2008-13 as detailed in **Appendix 2.2**. The savings ranged between ₹ 63.84 crore and ₹ 1704.36 crore during the year 2012-13. Persistent savings in a substantial number of grants over the years is indicative of over assessment of requirement of fund by the Government in Appropriation Act repeatedly without adequately scrutinising the need and examining the flow of expenditure. The CCOs of these grants need to be alerted by the Finance Department to remedy the situation and the savings should be surrendered as soon as it is anticipated, so that the same amount could be utilised where necessary.

The Government stated (November 2013) that instructions would be issued to the concerned grant controlling authorities.

2.3.3 Expenditure without provision of funds

As per the provisions of OBM, expenditure should not be incurred on a scheme/service without provision of funds. However, expenditure of ₹ 28.70 crore was incurred in 22 sub-heads (seven grants) in absence of any provision as detailed in **Appendix 2.3**.

Expenditure without provision of fund was irregular and un-authorised.

2.3.4 Drawal of funds to avoid lapse of budget grant

According to the provisions of Odisha Treasury Code (OTC) Volume I (Rule 242) and OBM (Rule 141), no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in banks or under Civil Deposits to prevent the lapse of budgetary grants. The ThFC also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund avoiding transfer from Consolidated Fund to the Public Accounts.

As per the Finance Accounts for 2012-13, minor head 8443-Civil Deposit-800-Other Deposit had accumulated balance of ₹ 434.92 crore (credit) at the close of the year (March 2013). During the year, ₹ 2.34 crore were added to the minor head against withdrawal of ₹ 127.14 crore. The accumulated balances at the close of the year should have been written back to the respective major heads of account under the Consolidated Fund from which these were originally transferred, as the drawl from the above minor head of account in the subsequent year(s) neither required legislative

approval nor the expenditure incurred subjected to legislature scrutiny through the Appropriation Account mechanism.

2.3.5 Excess expenditure over provisions relating to previous years requiring regularisation by the State Legislature

According to Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Excess expenditure amounting to ₹ 580.28 crore for the periods from 2010-11 to 2011-12 is yet to be regularised as detailed in **Table 2.3** given below.

Table 2.3: Excess expenditure over provisions relating to previous years requiring regularisation

Year	Number of		Grant/ Appropriation numbers	Amount of excess (₹ in crore)
	Grants	Appropriations		
2010-11	4	1	07-Works, 22-Forest and Environment, 23-Agriculture, 28-Rural Development, 6004-Loans and Advances from Central Government	428.51
2011-12	1	1	05-Finance, 6004 - Loans and Advances from Central Government	151.77
Total	5	2		580.28

Source: Appropriation Accounts for the year 2012-13, Government of Odisha.

However, excess expenditure over voted Grants and charged Appropriations, incurred during the year 1996-97 to 2009-10, for an amount of ₹ 9716.74 crore by the State Government were presented and passed by the State Legislature (December 2012).

2.3.6 Unnecessary/Excessive supplementary provision

Supplementary provision aggregating to ₹ 1350.01 crore (₹ one crore or more in each case) obtained in 28 cases (22 grants), during the year 2012-13 proved unnecessary as the actual expenditure (₹ 27268.17 crore) did not come up to the level of original provision (₹ 31999.14 crore) as detailed in **Appendix-2.4**. This indicates that the CCOs were not aware of the actual requirement of funds for the remaining period of the financial year due to failure to monitor the flow of expenditure through the monthly expenditure control mechanism prescribed in Chapters IV and VI of the OBM.

Similarly, supplementary provision aggregating to ₹ 2519.32 crore (₹ one crore or more in each case) proved excessive by ₹ 763.34 crore over the total required supplementary provision of ₹ 1755.98 crore in 14 cases under 12 grants (one crore or more in each case) as detailed in **Appendix-2.5**.

The Government stated (November 2013) that instructions would be issued by Finance Department to the concerned grant controlling authorities. The Government had also previously (November 2012) assured the same, but unnecessary/excessive supplementary provisions continued to be made during the current year also.

2.3.7 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed.

Re-appropriations proved excessive or insufficient and resulted in savings/excess of over ₹ 10 lakh in 151 sub-heads, of which excess / saving was more than ₹ one crore in 68 sub-heads (savings of ₹ 248.06 crore in 17 sub-heads under 7 grants and excess of ₹ 457.42 crore in 51 sub-heads under 11 grants) as detailed in **Appendix- 2.6**.

The Government stated (November 2013) that instructions would be issued by the Finance Department to the concerned grant controlling authorities.

2.3.8 Defective re-appropriation/Re-appropriations on the last day of the financial year

According to Rule 139 of OBM, reasons for additional expenditure and savings should be explained in the re-appropriation statement which should reach the Finance Department by 10 March at the latest. As per the records of the office of the Principal Accountant General (A&E), during 2012-13, 852 re-appropriation orders amounting to ₹ 2830.80 crore were issued, out of which four orders on defective re-appropriation amounting to ₹ 2.84 crore were issued during the year as given in **Table 2.4** below:

Table 2.4: Defective re-appropriations during the financial year

Sl No	Name of the Department	Head of Account from where re-appropriation was made	Amount (₹ in crore)	Order No./ Date	Reasons
1	12-Health and Family Welfare	4216-SP-DS 4210-SP-SS	2.00	10702/ 26.03.2013	If the amount of re-appropriation is accounted for it would have resulted in minus balance under the concerned head.
2	19-Industries	3451-NP 2852-SP	0.13	614/ 18.02.2013	Re-appropriation has been made between two different plans which is not permissible under Rule-115 of Guide to Budget Manual.
3	20-Water Resources	2700	0.70	8809/ 15.03.2013	Amount of re-appropriation differs from that sanctioned by the department.
4	20-Water Resources	2701	0.01	7620/ 07.03.2013	Amount of re-appropriation differs from that sanctioned by the department.
TOTAL			2.84		

Source: Information furnished by the office of the Principal Accountant General (A&E), Odisha

Again two re-appropriation orders aggregating ₹ 9.84 crore were issued by the Finance Department on 31 March 2013, the last day of the financial year where there was no scope for expenditure during that year. It was also noticed that issue of such belated re-appropriation orders persisted during the year despite the irregularity being pointed out in the earlier Audit Reports.

The Government stated (November 2013) that instructions would be issued by Finance Department to the concerned grant controlling authorities. The Government had also previously (November 2012) assured the same, but such re-appropriations were again noticed during the year.

2.3.9 Substantial surrenders

Surrenders of 100 per cent of total provision of ₹ 1242.85 crore were made under 28 sub heads (₹ 10 crore or more in each case) under seven grants representing different schemes / programmes / projects and activities which are given at **Appendix-2.7**. The surrenders were attributed to non-release/non-receipt of central share (eight cases), non-release of grants arising out of non-submission of pending utilization certificates (one case), drawal of the amounts from the related heads for their incorporation under concerned Revenue major heads (nine cases), direct release of funds by Government of India to the executing agency etc. (one case), less requirement and non finalization/receipt of project proposals (four cases), unspent balances refunded through challan deposit (one case) and no reasons were assigned in the remaining (four) cases.

2.3.10 Surrender in excess of savings

In case of five grants, as against savings of ₹ 2537.63 crore (₹ 25 lakh or more in each case) as detailed in **Appendix-2.8**, the amount surrendered was ₹ 2571.74 crore resulting in excess surrender of ₹ 34.11 crore. The surrender indicated that the departments failed to exercise necessary budgetary controls of watching the flow of expenditure through the monthly expenditure statements.

The Government stated (November 2013) that instructions would be issued by Finance Department to the concerned grant controlling authorities. The Government had also previously (November 2012) assured the same, but such surrenders in excess of savings were noticed during the year.

2.3.11 Anticipated savings not surrendered

As per Rule 146 of OBM, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. A review of saving of grants at the end of the 2012-13 and surrender thereof by the departments concerned revealed the following:

- In case of five departments with savings of ₹ 1.19 crore, no amount was surrendered by the department concerned.
- An analysis of saving of more than ₹ one crore remained to be surrendered revealed that there were 18 such cases (13 departments) and the departments partially refunded saving resulting in retention of ₹ 1134.01 crore (36 per cent of the total savings of ₹ 3179.97 crore in these cases) as per details given in **Appendix 2.9**.
- Besides, as per information compiled by the office of the Principal Accountant General (A&E), Odisha, there were surrender of funds under different major heads of accounts in excess of ₹ 10 crore on the last two working days of the financial year i.e. on 30 and 31 March 2013 in 66 cases aggregating to ₹ 6850.77 crore covering 12 per cent of the entire budget (**Appendix 2.10**).

Thus, the Chief Controlling officers and the Heads of the Department overlooked the budgetary controls laid down in the OBM.

The Government stated (November 2013) that instructions would be issued by Finance Department to the concerned grant controlling authorities.

2.3.12 Rush of expenditure

According to Rule 147 of OBM, rush of expenditure in the closing month of the financial year will ordinarily be regarded as breach of financial regularity, which should be avoided. Contrary to this, in respect of 30 schemes listed in **Appendix 2.11**, Revenue / Capital Expenditure exceeding ₹ 10 crore and also more than 50 per cent (in each case) of the total expenditure for the year was incurred in March 2013. **Table 2.5** also represents the sub-heads (seven cases) where 100 per cent of expenditure was incurred during the last month of the financial year. Expenditure, which to be spread throughout the year was incurred in the last month of the year.

Table 2.5: Cases of rush of expenditure towards the end of the financial year 2012-13

Sl. No.	Grant No.	Major Head	Total expenditure during the year (₹ in crore)	Expenditure during March 2013	
				Amount (₹ in crore)	Percentage of total expenditure
1	11	2225-CP-DS -03-277-2418 -Post Metric Scholarship and Stipend for OBC Students.	17.38	17.38	100
2	21	3055-NP -800-0922 -Miscellaneous	16.17	16.17	100
3	30	4801-SP-DS -06-796-2469 -SCA for Special Programme for KBK district	12.68	12.68	100
4	30	4801-SP-DS -06-800-2469 -SCA for Special Programme for KBK district	14.96	14.96	100
5	30	6801-SP-SS -205-2612 -CAPEX Programme for Development and Upgradation of Distribution System.	77.34	77.34	100
6	30	6801-SP-SS -789-2612 -CAPEX Programme for Development and Upgradation of Distribution System.	27.00	27.00	100
7	30	6801-SP-SS -796-2612 -CAPEX Programme for Development and Upgradation of Distribution System.	30.66	30.66	100
TOTAL			196.19	196.19	100

Source: Monthly Appropriation Reports for the month of March 2013.

Maintaining uniform pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to Revenue Expenditure mismatches during a particular month arising out of unanticipated heavy expenditure in that particular month. Besides, quality of the assets being created out of such expenditure can be maintained if expenditure is incurred in a planned manner.

The Government stated (November 2013) that, if a holistic view of the trend of expenditure in the last quarter and in the month of March is taken, the percentage of expenditure in this part of the financial year show a declining trend. The reply is not tenable as the three grants referred to in **Table 2.6** registered 100 per cent expenditure during the month of March 2013 itself.

2.4 Advances from Contingency Fund

Contingency Fund of the State has been established under the Orissa Contingency Fund Act, 1967 in terms of provisions of Article 267(2) and 283(2) of the Constitution of India. Advances from the Fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. The fund is in the nature of an imprest and required to be recouped by obtaining supplementary grants during the first session of Assembly immediately after the advance is sanctioned. Its corpus was enhanced (October 2008) from ₹ 150 crore to ₹ 400 crore. During the year ₹ 15.89 crore was recouped pertaining to previous years.

2.5 Errors in Budgetary Process

The Odisha Budget Manual (Rule 46) requires the Controlling Officers to see that proper estimates are made which should take into account only such payments which are expected to be made during the budget year. The aim is to make the estimates as accurate as possible, not to over-estimate and show large savings at the end of the year.

Implementation of the Budget was not in conformity with the approved Budget leading to large-scale savings under the Revenue (voted) and Capital (voted) sections as under:

- Under Revenue (voted) the original grants and supplementary grants were ₹ 37080.99 crore and ₹ 3566.84 crore respectively aggregating at ₹ 40647.83 crore against which the actual expenditure was ₹ 34971.89 crore resulting in savings of ₹ 5675.94 crore. This was more than the supplementary provision.
- Similarly under Capital (voted), the original and supplementary grants were ₹ 7393.75 crore and ₹ 352.90 crore respectively aggregating ₹ 7746.65 crore against which the actual expenditure was ₹ 5833.82 crore resulting in savings of ₹ 1912.83 crore. This was more than the supplementary provision.

In the above two cases, supplementary provision of ₹ 3566.84 crore in Revenue (voted) and ₹ 352.90 crore in Capital (voted) obtained during the year, proved unnecessary as the expenditure did not come up to the level of original provision as indicated in **Table 2.6**. The above occurred due to marginal expenditure under Revenue and Capital heads, particularly the Capital Expenditure which needs to be suitably augmented for creation of Capital Assets, but the same was not resorted to.

Table 2.6: Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

Sl No	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Savings (-)/ Excess (+)
1	Revenue (voted)	37080.99	3566.84	40647.83	34971.89	(-)5675.94
2	Capital (voted)	7393.75	352.90	7746.65	5833.82	(-)1912.83
TOTAL		44474.74	3919.74	48394.48	40805.71	7588.77

Source: Odisha Appropriation Act 2012, Finance and Appropriation Accounts 2012-13.

Besides, in the following cases there were injudicious re-appropriations during the year which resulted in excess expenditure / savings.

- In 25² cases, the reduction of provisions through re-appropriation proved injudicious, as there were excess expenditure as indicated in *Appendix 2.6*.
- In six³ cases, the augmentation of funds through re appropriation proved excessive as there were large savings and even in some cases, savings exceeded the re-appropriation provision as detailed in *Appendix 2.6*.

The aim of Budget preparation must be to estimate Revenue and expenditure as accurate as possible, not to overestimate and show large savings at the end of the year. However it was noticed that 16 departments continued to make savings of more than ₹ 10 crore during last five years, despite our repeated comments in the Audit Reports from 2008-09 to 2011-12 as detailed in *Appendix 2.2*.

2.5.1 Unrealistic forecasting of resources

Rule 46 of OBM stipulates that Budget of a State is based on the departmental estimate submitted by the Controlling officers. Both the departmental and the district estimate should always receive careful personal attention of the officers who submit them. They should be neither inflated nor under-pitched, but should be as accurate as possible. However, it was noticed that revised estimate 2012-13 for non-tax Revenue projection was ₹ 6500 crore while actual realisation was ₹ 8078 crore, resulting in upward variation of resources of ₹ 1578 crore, nearly 24 per cent above the original forecast. In this connection trend of revenue projection for last five years (2008-09 to 2012-13) are given in **Table 2.7** below.

Table 2.7: Variation between Revised Estimate and Actuals on Revenue Resources for the periods 2008-09 to 2012-13

(₹ in crore)

Sl No.	Year		Revised Estimate	Actuals	Differences (Column 5-4)
1	2	3	4	5	6
1	2008-09	Tax Revenue	7672	7995	323
		Non-Tax Revenue	2617	3176	559
2	2009-10	Tax Revenue	8920	8982	62
		Non-Tax Revenue	2912	3212	300
3	2010-11	Tax Revenue	10608	11193	585
		Non-Tax Revenue	3317	4780	1463
4	2011-12	Tax Revenue	13399	13443	44
		Non-Tax Revenue	5000	6443	1443
5	2012-13	Tax Revenue	15310	15034	(-)276
		Non-Tax Revenue	6500	8078	1578

Source: Budget at a glance and Finance Accounts for the respective years

It could be seen from the table above that revenue projection of tax and non-tax revenue were made in such a way that the actual achievements were more than the projections as the latter were understated for last five years. This shows that the projections were made in an unrealistic manner. Had the same assessment been done in a realistic manner, there would have been greater impact on plan size/ceiling. In other words, plan size could have been larger and resources thereof could have been utilised towards developmental work as the State needed.

² SI Nos -18, 20, 21, 22, 24, 25, 27, 29, 30, 34, 35, 37, 38, 39, 42, 44, 45, 47, 48, 49, 50, 55, 56, 58 and 64.

³ SI Nos -2, 4, 5, 6, 11 and 12.

2.5.2 Analysis of Cash Management System

Government of Odisha (Finance Department) in their circular (April 2012) implemented Cash Management System in 18 departments. The objectives of Cash Management System were:

- (i) Even pacing of expenditure within the Financial Year
- (ii) Reducing rush of expenditure during last quarter especially in the last month of the financial year
- (iii) Front loading of expenditure in the first three quarters of the financial year so that corrective measures can be taken in the mid year to achieve the fiscal objectives
- (iv) Curb the tendency of parking of funds outside Government Account
- (v) Effective monitoring of expenditure pattern to improve the quality of expenditure and
- (vi) Better ways and means management.

As per circular, the level of expenditure at the end of third quarter was not to be less than 60 *per cent* and during the month of March, the same should not be more than 15 *per cent* of the budget provision.

However, it was noticed that out of 18, only one department spent minimum 60 *per cent* of the budget provision by the end of third quarter, while rest 17 departments failed to achieve the norm during 2012-13. Similarly, eight departments exceeded 15 *per cent* of the budget provision for the month of March 2013 as indicated in **table 2.8**.

Table 2.8: Analysis of cash management system

(₹ in crore)

Sl No	Grant No/ Deptt	Original Budget Provision	Aprl. 2012- Dec. 2012		March 2013	
			Expenditure during first 3 quarters	Percentage of Expenditure	Expenditure during the month	Percentage of Expenditure
1	7-Works	2258.55	571.10	25	230.83	10
2	10-School and Mass Education	6537.39	1190.82	18	372.39	6
3	11-ST, SC Dev. and Minorities and Other Backward Development	1605.71	621.50	39	287.62	18
4	12- Health and Family Welfare	1820.41	325.76	18	144.61	8
5	13-Housing and Urban Development	1580.49	300.55	19	125.33	8
6	17-Panchayati Raj	2563.82	765.77	30	352.90	14
7	19-Industry	9.93	1.61	16	5.74	58
8	20-Water Resources	3477.79	1230.42	35	695.16	20
9	22-Forest and Environment	591.58	161.26	27	52.78	9
10	23-Agriculture	1526.31	759.51	50	287.41	19
11	28-Rural Development	1720.54	474.04	28	250.21	15
12	30-Energy	542.36	118.29	22	250.44	46
13	31-Handloom, Textile & Handicrafts	129.37	43.95	34	24.55	19
14	33-Fisheries and Animal Resources Development	404.77	46.86	12	19.72	5
15	36-Women & Child Development	2723.69	1783.33	65	598.94	22
16	38-Higher Education	1292.78	114.66	9	78.48	6
17	39- Employment, Technical Education and Training	353.19	60.56	17	54.41	15
18	40-Micro, Small and Medium Enterprises	60.61	7.62	13	9.57	16

Source: Monthly Appropriation Accounts for December 2012 and March 2013

The above indicated that the objective for which Cash Management System was introduced remained un-achieved.

The Government stated (November 2013) that some of the Departments covered under the Cash Management System were allowed to exceed the expenditure limit for the 4th quarter/ March keeping in view the urgency of expenditure. However, the fact remained that such expenditure was in violation of the circular of the Finance Department on Cash Management System.

2.6 Outcome of review of selected grants

Review of the budget proposals, actual expenditure and fund management in respect of Works Department (Grant No - 7) and Housing & Urban Development Department (Grant No - 13) as reported in the Appropriation Accounts revealed the following irregularities:

2.6.1 Short-surrender of savings / belated surrenders

OBM provides (Rule 144 and 146) that all anticipated savings should be surrendered immediately after these are foreseen and latest by 10 March of the financial year without waiting till the end of the year.

During 2012-13, the Works Department (Grant No.7) surrendered ₹ 25.40 crore as against total savings of ₹ 26.24 crore under Revenue (voted) section and ₹ 64.32 crore as against total savings of ₹ 102.04 crore under Capital (voted) section resulting in non-surrender of ₹ 0.84 crore and ₹ 37.72 crore respectively. Similarly, the Housing & Urban Development Department (Grant No.13) surrendered ₹ 98.49 crore as against total savings of ₹ 100.91 crore, resulting in non surrender of ₹ 2.02 crore. Besides, in violation of above provisions of OBM, these amounts were surrendered on 31 March 2013. Thus, the amounts surrendered were not in conformity with the actual savings indicating lack of monitoring of monthly expenditure as provided in the OBM by the CCOs before passing the surrender orders.

2.6.2 Unnecessary supplementary provision

Supplementary Grants are obtained to cover the excesses that may be anticipated after mid-term review of the Grants/Appropriations during a financial year. But it was noticed that in Grant No.7 (Works Department), supplementary provision of ₹ 14.69 crore under Revenue (voted) section and ₹ 0.44 crore under Capital (voted) section obtained during December 2012 proved unnecessary in view of sizeable savings of ₹ 11.54 crore under Revenue (voted) and ₹ 101.60 crore under Capital (voted) section respectively from the original Budget provision in the year. In Grant No.13 (Housing & Urban Development Department), supplementary provision of ₹ 24.30 crore under Revenue (voted) section and ₹ 16.15 crore under Capital (voted) section obtained during December 2012 proved unnecessary, as the department saved ₹ 76.61 crore in Revenue (voted) and ₹ 21.07 crore under Capital (voted) section out of the original provision. This showed that the CCOs of these two departments were not aware of the actual requirement of funds for the remaining period of the financial year due to failure of monthly expenditure control mechanism prescribed in the OBM.

2.6.3 Withdrawal of entire provision by way of surrender and re-appropriation

Works and Housing & Urban Development Departments made a provision of ₹ 3.13 crore and ₹ 33.56 crore respectively under different heads/schemes during 2012-13, but the total provisions were withdrawn by way of re-appropriation and surrendered on the last day of the financial year 2012-13 as indicated in **Appendix -2.12**.

This indicated that the CCOs prepared the budget and made allocation to different schemes/projects/objects of expenditure without any basis and without carrying out the required due diligence as prescribed in the OBM.

2.6.4 Non-adherence to Cash Management System.

Government of Odisha (Finance Department) in their circular (April 2012) implemented Cash Management System in 18 departments including the Works (Grant No. 07) and Housing & Urban Development (Grant No.13) departments.

As per Cash Management System, the above two departments have to adhere to the Quarterly Expenditure Allocation (QEA) norm of 25 per cent, 15 per cent, 20 per cent and 40 per cent of Budget Estimate in First, Second, Third and Fourth quarter respectively as prescribed by the Finance Department for the year 2012-13. The distribution of the QEA vis-à-vis quarterly expenditure for the two departments during 2012-13 is given in **Table 2.9**.

Table 2.9: Budget Estimate and Quarterly Expenditure Allocation by the Works and Housing and Urban Development department.

Sl No	Grant No./Name	Budget Estimate, 2012-13	QEA for 1 st Qr.	Exp. for 1 st Qr	QEA for 2 nd Qr.	Exp. for 2 nd Qr	QEA for 3 rd Qr.	Exp. for 3 rd Qr	QEA for 4 th Qr.	Exp. for 4 th Qr
			(25 % of BE)	(15 % of BE)	(15 % of BE)	(20 % of BE)	(20 % of BE)	(40 % of BE)		
1	07-Works	2258.55	564.64	400.84 (18 %)	338.78	287.87 (13 %)	451.71	629.25 (28 %)	903.42	826.01 (36 %)
2	13-Housing and Urban Development	1580.49	395.12	169.22 (11 %)	237.07	287.78 (18 %)	316.10	359.77 (23 %)	632.20	665.30 (42 %)

Source: Records of Finance Department, Government of Odisha and monthly appropriation accounts.

The above indicated that the departments did not adhere to the norm of Cash Management System. The Works department failed in targeted quarterly expenditure by seven per cent & two per cent for the first and second quarter respectively. Similarly at the end of third quarter the department failed to achieved the targeted expenditure norm (60 per cent of BE) by ₹ 37.17 crore. Further, it was also seen from the monthly appropriation accounts that the monthly expenditure norm (15 per cent) for the month of March, 2013 i.e the last month of the year, exceeded by 4.34 per cent (₹ 98.07 crore).

Housing & Urban Development department also failed in the expenditure during first quarter by 14 per cent against the targeted norm. Similarly, the department also failed in achieving up to the third quarter norm (60 per cent of BE) by around eight per cent (₹ 131.52 crore). The department also exceeded the expenditure by two per cent (₹ 33.10 crore) for the fourth quarter norm (40 per cent of BE) and monthly expenditure norm by 3.19 per cent (15 per cent of BE) for the month of March, 2013 (₹ 50.45 crore).

The above not only violates instruction of the Cash Management System but also stands in the way of achieving the objective thereof like (i) even pacing of expenditure within the financial year (ii) reduce rush of expenditure during the last month of the financial year and (iii) effective monitoring of the expenditure pattern.

2.7 Outcome of Inspection of Treasuries

During 2012-13, 30 District Treasuries, eight Special Treasuries and 52 Sub-Treasuries were inspected by the inspecting staffs of the Principal Accountant General (A&E), Odisha. Irregularities and lapses noticed during 2012-13, were brought to the notice of the Treasury Officers / Sub-Treasury Officers concerned through Inspection Reports. Some of the important irregularities and lapses noticed during inspection are given below:

2.7.1 Excess payment of pension and gratuity

During inspection of treasuries/sub-treasuries for the year ended 31 March 2013 by the office of the Principal Accountant General (A&E), excess payment of pension and gratuity amounting to ₹ 12.73 lakh was noticed as indicated in **Table 2.10** below:

Table 2.10: Outcome of inspection of treasuries

Sl No	Category	Amount (₹ in lakh)
1	Excess payment of pension due to arithmetical inaccuracy.	1.77
2	Excess payment due to delayed commencement of reduced pension on account of payment of commuted value of pension.	2.24
3	Excess payment of pension in favour of family pension due to payment at enhanced rate beyond the stipulated date.	0.54
4	Excess payment of pension due to other miscellaneous reasons.	8.18
TOTAL		12.73

Source: Office of the Principal Accountant General (A&E), Odisha

There is a need to improve the controls in the Treasury on pension and pension-related payments.

The Government stated (November 2013) that the Director of Treasuries & Inspection would be instructed to put in place a pre-check pension and pension-related payments in the Treasuries/ Sub-Treasuries to gradually eliminate excess payment of pension and gratuity. The Government had previously (November 2012) also assured the same, but excess payment of pension and gratuity continues to exist.

2.7.2 Outstanding pension claims from Central Pay and Accounts Office, New Delhi / Defence / Railways.

Treasuries in Odisha are not rendering Central Civil Pension/Central political pension vouchers to concerned accounting circle for reimbursement for which claims of State Government to the extent of ₹ 4.59 crore as calculated up to 31 March 2013 remained in “8658- Suspense Account 101- PAO suspense” head. Details are given in **Table 2.11**:

Table 2.11: Outstanding pension claims from different Accounting Circle

Sl. No.	Name of the Accounting Circle	Outstanding amount (₹ in crore)
1	Central Pay & Accounts Office, New Delhi	2.61
2	Defence	1.28
3	Railways (SE Railway/ Eastern Railway/ Central Railway)	0.70
TOTAL		4.59

Source: Annual review report on the working of Treasuries 2012-13 prepared by office of the Principal Accountant General (A&E), Odisha

2.7.3 Misclassification of debit by the treasury under major head 8009-101-General Provident Fund (State)

The Treasury shall classify the amount under the major head of account mentioned on the body of the challans / vouchers by the DDOs. In course of compilation of treasury accounts for the year ended 31 March 2013 by the Principal Accountant General (A&E), Odisha, it was noticed that an amount of ₹ 4.20 crore pertaining to Aided Educational Institute Provident Fund (AEIPF), Teachers Provident Fund (TPF)) classified under major head of account 8009-SPF-60-Other PF-103-Other Misc. PF, AEIPF(TPF) was misclassified under major head of Account 8009-GPF-101-GPF(State) by the treasuries.

2.8 Conclusion and Recommendations

- Avoidable supplementary provisions being made, defective orders for re-appropriation of fund and re-appropriation orders being issued on the last day of the year did not reflect the prudent financial management by the Chief Controlling Officers-cum-Heads of the Departments (*Paragraphs 2.3.6 to 2.3.10*).

Chief Controlling Officers-cum-Heads of the Department should strictly observe the provisions of OBM to ensure budgetary and expenditure controls. They should specifically strengthen monthly expenditure control and monitoring mechanism.

- Hundred *per cent* of Revenue and Capital provision were spent in some schemes /sub-heads during March 2013 instead of spreading it throughout the year leading to rush of expenditure (*Paragraph 2.3.12*).

Revenue and Capital Expenditure may be spread evenly over the year so as to avoid the quality related pitfalls usually associated with such rush of expenditure.

- Instructions on Cash Management System were not sufficiently adhered by the departments, resulting non achievement of targeted periodical expenditure norm fixed by the State Government (*Paragraph 2.5.2*).

Chief Controlling Officer-cum- Head of the Departments should monitor the timely expenditure and utilization of the Budgeted allocation.